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SUCCESS STORY

New Trading Platform Helps Smallholder Farmers

Smallholder Farmers Gain Access to Markets through *Bid Volume Only* Platform



Photo: Charlie Barnwell, WFP

ACE demonstrates the BVO platform to Malawi smallholder farmers

"ACE has helped me to compete with larger traders and has increased my access to markets."

Smallholder farmers need access to regional agricultural markets if we are to achieve reduced poverty and increased food security in East Africa. Unfortunately, these markets favor established farmers and traders who are able to fulfill large orders. As they are unable to access regional markets directly, smallholder farmers often resort to selling their product at reduced prices to middle men. To solve this problem, USAID's Competitiveness and Trade Expansion Program (COMPETE) partnered with the Agricultural Commodity Exchange for Africa Trust (ACE) of Malawi to create a *Bid Volume Only* (BVO) trading platform. This BVO platform is based on a World Food Programme Purchase for Progress (WFP P4P) model used in Zambia.

A Bid Volume Only (BVO) transaction resembles a reverse auction. The buyer, (e.g., WFP P4P), states the volume and location of a desired product. ACE hosts a trading session that allows any supplier to bid on prices per stated volume and location. Bidding can be done in person, through mobile phone SMS, or internet. Then WFP P4P compares prices and selects the most competitive offer(s). The process is transparent and open.

ACE launched its BVO trade platform in May 2010. Within the first two months of operation, the ACE BVO hosted trades totaling nearly \$1.9 million. The sessions included eight contracts for WFP P4P and a contract for 2,000 metric tons of Soya with the South African SENWES Group, worth \$683,000. Winners included the Grains and Legumes Association (GALA) representing 95,000 farmers and GALA won a contract to provide 50 metric tons of maize to WFP.

Mr. Lawrence Chikhasu represents a group of 400 farmers in Mchinji, 60 kilometers from ACE in Lilongwe, Malawi. Mr. Chikhasu speaks highly of ACE and the BVO project, "ACE has helped me to compete with larger traders and has increased my access to markets. [I've had] increased revenue through ACE contracts and the ability to build long links or relationships with suppliers."

While initially promoted by WFP, and now USAID COMPETE, the BVO platform is being embraced by the public and private sector. Sellers are grateful for market access and buyers welcome purchasing a good product with the security and transparency that the exchange provides. Results of BVO so far indicate that prices are competitive compared to prices achieved through closed-tenders and it attracts a range of suppliers. WFP P4P is using the BVO platform to procure food for humanitarian relief within Malawi and neighboring countries.

The BVO platform is accessible and can be rolled out through any agricultural exchange. For sustainability, the BVO needs a policy environment that supports open markets and infrastructure improvements like rural warehouses. The involvement of farmer groups like those represented by Mr. Chikhasu and GALA has shown that transparent trading platforms can attract a diversity of participants from smallholder farmers to commercial operators.

The BVO is a stepping stone to empowering smallholder farmers to enter structured trade systems.